



February 6, 2006

200554

Charles L. A. Terreni, Esquire
Chief Clerk and Administrator
Public Service Commission of SC
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

SC PUBLIC SERVICE
COMMISSION

2006 FEB - 6 AM 10: 06

RECEIVED

Re: SCE&G's February 2006 Adjustment to its Cost-of-Gas Factor and Request for Amendment to Order No. 2005-653

Dear Mr. Terreni:

South Carolina Electric & Gas Company ("SCE&G" or the "Company") is pleased to inform the South Carolina Public Service Commission (the "Commission") that it is prepared to pass through a reduced commodity cost-of-gas factor of \$1.07101 per therm for service to its natural gas customers which is below the Firm Commodity Benchmark of \$1.14135 per therm approved in Order No. 2005-653. This reduces the overall cost-of-gas factor by \$0.07034. The new cost-of-gas factor would result in a reduction in residential customers' bills averaging approximately 4 percent.

The Company proposes to implement the current commodity cost-of-gas reductions on and after February 14, 2006 (the date the February cycle 8 bills are generated). The new cost-of-gas factors for specific customer classes are set forth in Attachment 1. Attachment 2 contains a revised forecast of the under-collection of gas costs for the period ending October 31, 2006 reflecting the new factors.

SCE&G seeks approval to reduce the cost-of-gas factor while an under-collection remains. This reduction in the commodity cost-of-gas factor will not increase the under-collection beyond the amount allowed in Order No. 2005-653 ("the Order"). However, the new projected commodity cost-of-gas will decrease the under-collection by approximately \$8.5 million. Because an under-collection remains forecasted if the reduced commodity cost-of-gas factor is approved, we believe an amendment to the Order is appropriate. For this reason, we request that Order No. 2005-653 be amended to allow a reduction in the commodity cost-of-gas factor while an under-collection remains. The Company seeks no other change, alteration or amendment of the Order or the

Settlement Agreement and specifically requests that the Commission reaffirm the remaining terms thereof.

The reduction in the commodity cost-of-gas factor stems from recent reductions in the prices charged for natural gas supplies in national markets. These price reductions have been caused by a number of market factors, including unseasonably warm weather during the winter months and the on-going recovery of production facilities damaged by Hurricanes Katrina and Rita.

Under the Order and Settlement Agreement, the Company projected cost-of-gas factors that would have resulted in a \$21 million under-collection as of November 1, 2006.¹ To reduce as much as possible the under-collections, the Order and Settlement Agreement provided that any over-collections compared to monthly forecasts would be used first to reduce the under-collection and would result in price reductions to customers only at such time as the under-collection could be forecasted to be reduced to zero by November 1, 2006. (See ¶ 6 of the Settlement Agreement and the Supplemental Testimony of Mr. Addison at p.6, lines 7-12).

As indicated on Attachment 2, the actual and forecasted data still indicate the Company will carry an under-collection on November 1, 2006. However, in light of the importance of additional price relief for customers, SCE&G is proposing to reduce the cost-of-gas factors to levels that are forecasted to produce a net under-recovery of approximately \$15.5 million on November 1, 2006. The resulting under-collection, while material, is less than that forecasted at the time of the Commission's Order and is one that SCE&G believes strikes an appropriate balance between reducing the under-collection to an acceptable level while passing through to customers an immediate price reduction.

As a procedural matter, please accept this letter as a request to reduce the commodity cost-of-gas factor and for amendment of Commission Order No. 2005-653 pursuant to S.C. Code Ann. § 58-5-210 *et seq.* (1976 and Supp. 2004) and 26 S.C. Code Ann. Reg. 103-403 (Supp. 2004). SCE&G respectfully requests the Commission schedule consideration of this request for an amendment to Commission Order No. 2005-653 at its regularly scheduled meeting on February 7, 2006.

SCE&G has been authorized to report to the Commission that the two other parties to the Settlement Agreement, the South Carolina Office of Regulatory Staff and the South Carolina Energy Users Committee, have reviewed this request and consent to the relief requested, as reflected by their signatures below.

¹ At the time the Order was issued, the under-collection for the period ending October 31, 2005, was estimated to be approximately \$14 million. However, rapidly rising natural gas costs during the months before October 31, 2005 resulted in the actual under-collection for the period rising to \$17 million. This increased the under-collection forecasted from \$21 million to \$24 million.

Thank you in advance for your consideration.

With kind regards,

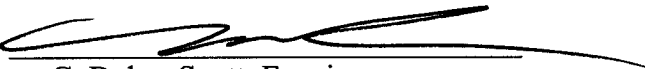

Patricia Banks Morrison

Enclosures

Cc: The Honorable C. Dukes Scott
Scott Elliott, Esq.


We consent:

South Carolina Office of Regulatory Staff

By: 
C. Dukes Scott, Esquire
Executive Director

We consent:

South Carolina Energy Users Committee

By: 
Scott Elliott, Esquire

Attachment 1

Customer Class	Current Cost of Gas Factor	Proposed Reduction in Firm Commodity Benchmark	Requested Cost of Gas Factor after Reduction
Residential	\$1.29729	\$0.07034	\$1.22695
Small General Service/ Medium General Service	\$1.22218	\$0.07034	\$1.15184
Large General Service	\$1.19823	\$0.07034	\$1.12789

ATTACHMENT 2

SOUTH CAROLINA ELECTRIC AND GAS COMPANY OVER/UNDER COLLECTION PROJECTED

	PROJECTED COMMODITY COST PER THERM (COL. 1)	REQUESTED COMMODITY COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	PROJECTED FIRM SALES THERMS (COL. 4)	(OVER)UNDER COLLECTION (COL. 5) (3*4)	CUMULATIVE (OVER)UNDER COLLECTION (COL. 6)
BEGINNING BALANCE ---						\$16,997,496
ACTUAL NOV 05					\$10,289,302	\$27,286,798
ACTUAL DEC 05					\$9,570,079	\$37,040,873
JAN 06	\$1.19325	\$1.14135	\$0.051900	38,159,300	\$1,980,468	\$39,021,341
FEB 06	\$0.80727	\$1.07101	(\$0.263740)	34,246,100	(\$9,032,066)	\$29,989,274
MAR 06	\$0.87637	\$1.07101	(\$0.194640)	25,398,200	(\$4,943,506)	\$25,045,768
APR 06	\$0.83186	\$1.07101	(\$0.239150)	16,383,800	(\$3,918,186)	\$21,127,583
MAY 06	\$0.89585	\$1.07101	(\$0.175160)	10,064,000	(\$1,762,810)	\$19,364,772
JUN 06	\$0.93965	\$1.07101	(\$0.131360)	7,791,000	(\$1,023,426)	\$18,341,347
JUL 06	\$0.98414	\$1.07101	(\$0.086870)	7,145,000	(\$620,686)	\$17,720,661
AUG 06	\$0.81425	\$1.07101	(\$0.256760)	7,118,000	(\$1,827,618)	\$15,893,043
SEP 06	\$1.01697	\$1.07101	(\$0.054040)	7,096,000	(\$383,468)	\$15,509,575
OCT 06	\$1.06810	\$1.07101	(\$0.002910)	8,584,000	(\$24,979)	\$15,484,596